

Making Change: Economic Development in Pond Inlet, 1987 to 1997

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ABSTRACT. This longitudinal survey of local economic changes in Pond Inlet, Nunavut, is based on two extensive economic studies from the mid-1980s and data gathered in 1997. This comparison allows an examination of the changing importance of some sectors of the local economy and leads to a discussion of the factors contributing to both changes and lack of change in the community's economy. Job opportunities for the growing population in Pond Inlet are still limited, but along with expectations for increased government employment as a result of the new Nunavut government, local enterprise development is occurring. Many of the obstacles to development that were identified in 1987 still persist, including lack of infrastructure, insufficient local control of economic forces, and sometimes inappropriate development models.

Key words: Pond Inlet, business, economic development, employment, formal economy, Inuit

RÉSUMÉ. Cette enquête longitudinale des changements économiques locaux à Pond Inlet, au Nunavut, s'appuie sur deux grandes études économiques menées vers le milieu des années 1980 et sur des données recueillies en 1997. Cette comparaison permet un examen de l'importance changeante de certains secteurs de l'économie locale et mène à une discussion des facteurs qui contribuent à la fois aux changements et à l'absence de changements dans l'économie de la collectivité. Les perspectives d'emploi pour la population en croissance de Pond Inlet sont encore limitées, mais, parallèlement aux attentes concernant une augmentation des emplois dans la fonction publique découlant de la création du gouvernement du Nunavut, on assiste à la naissance d'entreprises locales. Bien des obstacles au développement identifiés en 1987 subsistent, y compris le manque d'infrastructures, l'insuffisance du contrôle local des forces économiques et parfois l'utilisation de modèles de développement inappropriés.

Mots clés: Pond Inlet, entreprise, développement économique, emploi, économie officielle, Inuit

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INTRODUCTION

In 1987, the economy of Pond Inlet was lagging behind its rapidly expanding population. High population growth, limited opportunities in the formal economy, and constraints in infrastructure challenged the community. At the time, two intensive economic planning exercises evaluated development opportunities and constraints. This paper compares the situation in 1997 with that of 10 years before to show whether and how the economy of Pond Inlet has changed. In the 1987 work, some pressing needs were identified; our concern was to evaluate whether these had been met.

Pond Inlet shares many of the problems, constraints, and opportunities of other Arctic settlements. Its experiences provide a useful insight into the socioeconomic changes taking place in Arctic communities and the task that lies before the new Nunavut government in terms of

creating economic futures for its people. The availability of the intensive economic surveys done in Pond Inlet in the mid-1980s allowed us to compare the situations they depicted then to what existed ten years later. Such longitudinal, empirical studies complement more theoretical discussions of the development needs of northern communities. Even though there are competing theories of development, each relies on well-understood data and information for testing and advancing theory (Elias, 1997). This paper pulls together data and information in common format, ready to use in any theoretical or strategic perspective.

Much of the literature on northern development has been triggered by the prospect of mega-project development; thus, the Mackenzie Valley Pipeline Inquiry (Berger, 1978) began the discussion about the relative merits of the new, "formal" economy and the traditional, often "informal" economy. Hydrocarbon and mineral development in

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Alaska and northern Canada drove an impressive body of literature regarding northern community development (e.g., Hobart, 1982; Kruse, 1991). But what occurs when northern communities are left pretty much to themselves? There has been little prospect of megaproject development near Pond Inlet in the past decade, so other development “engines” were needed. In any case, experience with nonrenewable resource development in Alaska and Canada has shown that many Native people are uninterested in such work. Often, work for wages has been seen as a way to support more traditional pursuits of hunting and gathering. As Peter Usher has said:

Looking for either mega-project (or even mini-project, such as mining) development as the solution for native employment is barking up the wrong tree. There is absolutely no evidence that native people are longing to move out of their communities to a few points where economic opportunity is so much greater. (quoted in Whittington, 1985:17)

There seems to be little evidence that northern people seek to leave home to find work, and there is continuing debate about the preference for mixed livelihoods in northern households. Still, the literature about northern communities has recognized the need for more employment for the growing populations there. More young people seem to wish to have career-oriented jobs (Hamilton and Seyfrit, 1993; Condon et al., 1995), while many other people continue to want part-time work that supports their traditional pursuits on the land (Elias, 1995). What are the options for employment and cash income, and where might they come from?

Land claims will bring with them substantial financial capital, which could be invested so as to stimulate the northern economy (Robinson et al., 1989). We are now on the verge of seeing what the Nunavut government will do with its land-claim settlement. Government employment and transfers have long been a key part of the northern economy, and will probably continue to be so, at least for some time (Elias, 1995). As an alternative to megaproject development, the federal and territorial governments turned more in the late 1980s to entrepreneurial development programs. Small business does hold some potential (Robinson et al., 1989; Wuttunee, 1992; Myers, 1996, in press), despite the past debates about the appropriateness of private enterprise in Native communities (Elias, 1991).

An emerging aboriginal model of development was described by Elias (1991, 1997), and encompasses several shifts in thinking. These include moving from a focus on internal circumstances of communities to looking at the external relations influencing their development; moving from a preoccupation with cultural development to a concern with political and economic development; and shifting from a reactive approach to development to a proactive one. We must expect that northern communities have the interest and ability, to varying degrees, to take this proactive

approach, and to influence their own futures, as well as to select those elements from outside the community that they find useful (Lithman, 1983). What options might an Arctic community have?

A number of obstacles to enterprise development exist in the northern communities (Rea, 1968; SCONE, 1989; Elias, 1991; Bone, 1992) that are pertinent to the situation in Pond Inlet. These include the lack of credit, capital for investment, and financial institutions familiar with aboriginal matters; the high costs of infrastructure and other operating requirements, such as transportation, utilities, and services; low educational levels and lack of local skills, technical knowledge, or experience in entrepreneurship; the leakage of secondary development effects, through purchases of supplies, raw materials, and other goods in the south, or through the use of imported labour; and restrictive government policies.

However, there are enough examples of successful small enterprises in regional development to make the experiment worthwhile. One such example is the communities in the “*Terza Italia*” of northeast Italy, the “Third Italy,” as opposed to the traditional socioeconomic division into North and South. Frustrated by their marginalization from the mainstream economy and the instability of large-factory mass production after World War II, these communities identified their artisanal strengths and in the last two decades have developed a strong regional economy (Paloscia, 1991). Their success may be related to emphasis on traditional skills, family-based businesses, flexible timing, continuing domestic food production, diffusion of production throughout the community or region, and some degree (20%) of emphasis on exports. Certainly many of these values have been identified as being important to northern peoples and to appropriate economic development in the region.

These important characteristics were also reflected in small-scale renewable resource-based enterprises in northern Canada, which have been shown to make an important contribution to community and household economies (Myers, 1994, 1996, in press). The Suomussalmi project in northeastern Finland has been operating a set of economic development projects for over a decade, in co-operation with local village action groups, business organizations, the University of Tampere, and the national government (Pell, 1990). They are emphasizing alternative approaches to business development and the area’s renewable resources in the context of environmental conservation, training, and minimization of project operating costs. Projects there include organic farming, forestry and fishing cooperatives, a cannery and boat-building related to the fishing, a craft outlet and revitalization of local crafts, and tourism. In northern Canada, Wuttunee (1992) has documented the success of many small businesses, concluding that they do have an important role to play in sustainable communities.

This examination of the experience of Pond Inlet over the decade of 1987 to 1997, in the context of these and

other examples, will contribute to both a practical and theoretical understanding of northern development patterns. The people of Pond Inlet are, in many ways, making their own way. The time comparison will illustrate how some local people are trying to participate in the local economy, while identifying the main obstacles to development will help to show us where the priorities could lie for policy-makers.

CONDUCT OF THE RESEARCH

An intensive demographic and income survey was conducted from 1985 to 1987 by Alan Huestis, the Economic Development Officer (EDO) in Pond Inlet at the time (Huestis, 1991). To follow up this work, a community development plan was produced in 1987 by the hamlet's own economic planner, Michael Bloor (Bloor, 1987). These reports, plus Myers' own experience in the community, provide the basis of our picture of Pond Inlet in 1987 and represent an important, though unpublished, analysis of economic reality and opportunity in Pond Inlet at that time. Each report was done with extensive consultation among local hamlet and territorial government officials, business people, and others in Pond Inlet. Information about the current situation was gathered by Scott Forrest in the summer of 1997. Interviews were conducted with all identifiable employers in the community, including the hamlet and territorial governments, the RCMP, the Toonoonik Sahoonek Co-op, and other private businesses, to obtain overall payroll and employment data. These and other interviews contributed anecdotal information about the nature of economic activity in Pond Inlet.

To provide a meaningful comparison, the new work was guided as much as possible by the structure of the earlier studies, which focused on demographic and income information. This focus provides a useful analysis of the local economic structure at two different times in Pond Inlet. It does not represent a comprehensive survey of community wishes or motivations, though some of these interests emerged in interviews with representatives from local government and enterprises. Nevertheless, this research could underpin and inform some more comprehensive research and planning regarding the broader community's goals and preferences for further economic development. It should also act as a reference against which to measure theories and policies regarding northern development.

The economies of northern communities, which are based on both informal (non-cash) and formal (cash-oriented) economic activities, have been subject to continuing pressures for change. While the on-the-land or mixed lifestyle is valued and important for many people, increasingly they need cash income to support subsistence activities (hunting, fishing, trapping). It would have been ideal to be able to show the relative value of "employment" in the informal economy, which is based on hunting, fishing, trapping and on-the-land activities, but useful data were not available. Further research is needed on whether

TABLE 1. Population and income changes in Pond Inlet, 1986–97.¹

Pond Inlet	1986–87	1996–97
Population	796	1154
Average income	\$12 088	\$20 034
Unemployment rate	22.9%	25.3%
Social assistance	\$300 000	\$1 250 000

¹ Sources: Huestis, 1991; Nunavut Implementation Commission, 1996; Statistics Canada, 1996.

the informal economy continues to be important, the relative role it plays in household and local economies, and its relationship to cash income, as is being done in Quebec and Nunavik (Duhaime, 1998). Thus, while we recognize the importance of the informal economy in northern communities, we focus here on the formal side of the economy.

POND INLET'S ECONOMY, THEN AND NOW

In 1987, Pond Inlet was expected to become a subregional centre, serving the North Baffin district with transportation, schooling, retail, tourism, and other services. Its population was booming, but there was hope that new jobs would be created to employ people. The community lies in a very rich resource base; plentiful wildlife and fish fed the people and attracted tourists, and it seemed possible that nonrenewable resources might provide future development if this could be done without undue disruption to the environment and community. Social assistance rolls were higher than in previous decades, but community members viewed this aid as an occasional necessity, not a desirable source of income. In the decade that followed, the community's population grew by a staggering 45%, from 796 in 1986 to 1154 in 1996 (Statistics Canada, 1996). In 1997, jobs and housing were even tighter than before. Table 1 summarizes the growth in population and average incomes, as well as in unemployment rates and social assistance payments. There are, indeed, a new elementary school, and plans for a new high school; some new enterprises have been started up in retail, tourism and construction, and there is increased capture of tourism income. As well, there is a dream of an improved airstrip that would allow larger flights to come in. At the same time, population has grown, and reliance on social assistance payments has increased. The rich wildlife and fish resources still exist, and contribute to the Hunters and Trappers Organization (HTO) country food store as well as to domestic produce.

Wage Income

From a survey of employers' estimates of their payroll expenditures in 1997, a picture of the wage income patterns in Pond Inlet emerges. Approximately \$5.7 million in wages is paid annually to the equivalent of 274 full-time

employees; this yields an average income of \$20 960, not including social assistance or other government transfer income. These figures compare reasonably with official figures from the 1996 Census and Revenue Canada Statistics (unavailable when the data were collected), which indicate 280 employed persons and an average income of \$20 034. Ten years before, the 1986 Census and Revenue Canada Statistics had reported 185 employed persons with an average income of \$12 088 (Statistics Canada, 1996; Nunavut Statistics, 1999). These statistics indicate that 51% more people are involved to some degree in the wage economy in Pond Inlet. Furthermore, they indicate, in constant 1986 dollars, an 86% increase in total wages paid in Pond Inlet and a 20% increase in average earnings over the decade.

There were also significant changes from 1987 to 1997 in the sources of employment. Instead of being dependent on a single income source (government), Pond Inlet is now dominated by two main employers, the Hamlet government and the Toonoonik Sagoonik Co-op, which together account for over 58% of wage income in the community. The Co-op has grown steadily over the years, and is now Pond Inlet's largest employer, with 89 permanent and as many as 119 seasonal employees. It benefits the local economy by paying direct wages to staff and to seasonal guides; buying staff houses and supplying rental accommodation; competing for construction contracts; building up the tourism sector; paying dividends to members on purchases at the Co-op; "incubating" small business as space permits; purchasing some local produce for resale; and giving occasional gifts to the community.

Comparison of census data from 1986, 1991, and 1996 (Fig. 1) shows only a minor shift during that decade from employment in government, education and health, and other services (including tourism) toward employment in retail and wholesale trade. The census figures were based on persons employed in each sector, rather than income derived from each sector. Tourism, for example, would be greatly undervalued in this system, as it employs very few permanent full-time workers, yet contributes substantial wages through seasonal guiding, carving sales, and revenue for the Co-op, which supports other areas of the local economy. The data collection in 1997 was based on the dollar amount each sector contributes, which gives a better indication of the relative importance of each sector to the local economy.

Figure 2 shows that the principal sectors generating income in Pond Inlet in 1997 were government and retail, with construction and tourism also providing significant income. Growth in the retail, construction, tourism, and country food sectors is an encouraging sign that the community is diversifying its employment base. Compared to the 1987 information provided by Huestis, these figures represent a significant diversification of the Pond Inlet economy.

A comparison with Huestis' data shows a significant change between 1987 and 1997 in another sense. Huestis did not include a sectoral breakdown in his analysis, but he

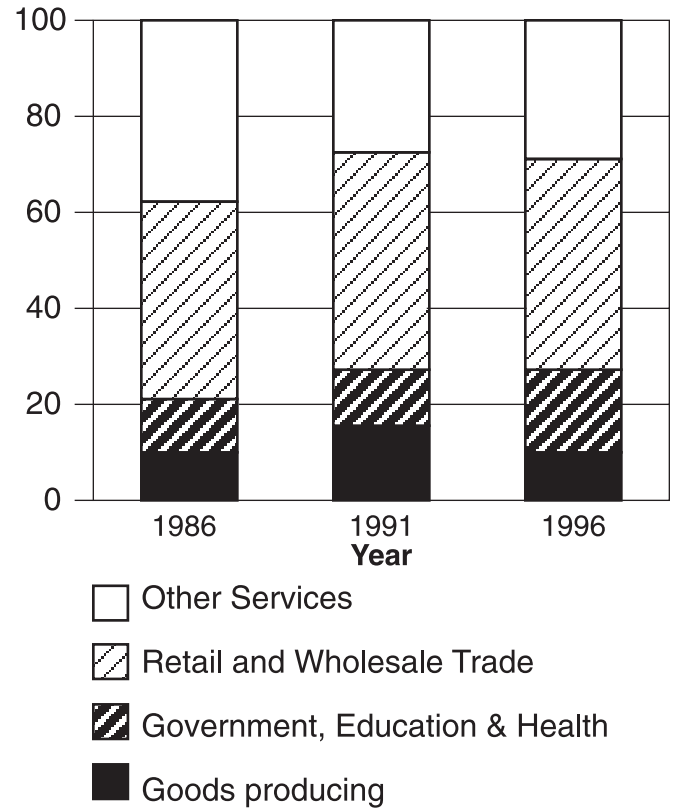


FIG. 1. Proportion of employment by economic sector, 1986–96.

did distinguish between income from tax-derived sources and new wealth. Only "revenue derived from the sale of goods and services to new dollars from outside the community" (carvings, fur and tourism) was considered new wealth and therefore not derived from public sources (Huestis, 1989:12). He argued that nearly all of the 1987 wage income came from public sources of one type or another. By that interpretation, if a person bought a loaf of bread at the Co-op with a social assistance cheque, the cashier's wages, which were paid by a local, private-sector employer from that sale, would still have been considered to be tax-dollar derived. This restrictive definition makes a useful point, but limits an understanding of how the community economy may be achieving some change.

Now that the Toonoonik Sagoonik Co-op accounts for over 30% of wages (\$2.1M) in the community, employing 89 people in retail, tourism, and construction (D. Blatter, 1997), the wages, expenditures, and income circulated by and to them in effect reflect a growing private-sector influence in the economy. The same is true of the other private entrepreneurs in the community. Although evidence suggests that government sources did indeed represent the vast majority of community income in 1987, Huestis' definition of "tax-dollar derived" obscures any private-sector sources that might exist and the potential importance of these to the local economy.

Country food and domestic income from on-the-land activities were certainly an important component of

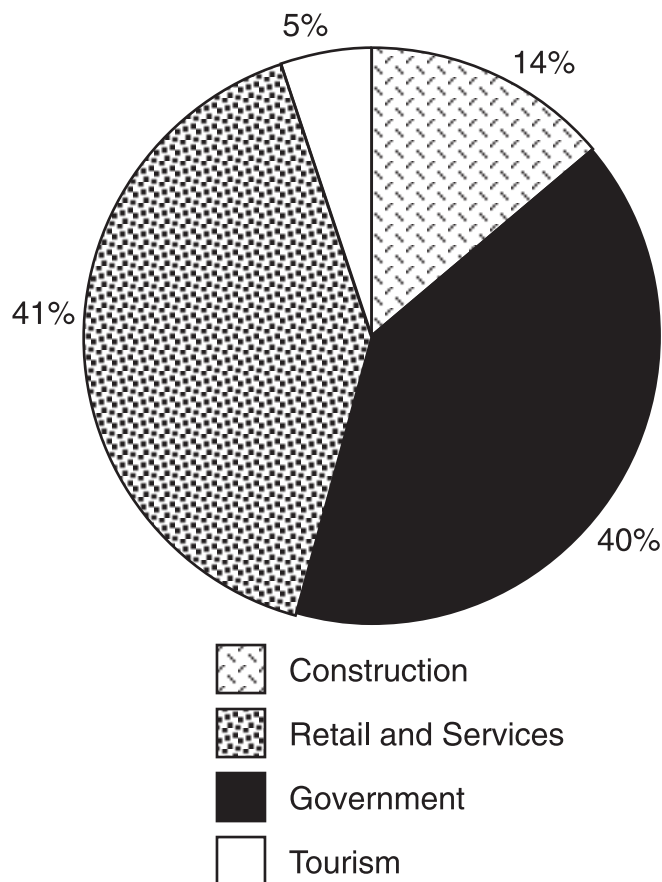


FIG. 2. Share of wage income from the principal sectors of the Pond Inlet economy, 1997.

family incomes in 1987, and “camping” and hunting were important social and economic activities to much of the population. The upgrading of the Hunters and Trappers Organization country food store in 1991 meant that more cash income from this sector could become available to the community’s families. However, few concrete records exist regarding the numbers of hunters or the amount of harvest in Pond Inlet, so this contribution to local incomes cannot be measured at present. For the Special Committee on the Northern Economy, Ames et al. (1988) showed that 80% of Native households across the North had at least one harvester, and that each harvester generated an average of \$11 000 of produce per year. The 1994 Labour Force survey documented 52% of Pond Inlet’s population as hunting or fishing, 6% as trapping, and 34% involved in crafts. This information indicates the continued importance of activities other than wage employment to provide both cash and subsistence value to residents.

Social Assistance

In 1987, 5.7% of Pond Inlet’s total income was derived from social assistance (the 1986 Census showed that 14.2% of Pond Inlet’s total income came from government transfer, including Canada Pension payments, Family

Allowance, and other standard transfers, as well as social assistance). Huestis estimated that the number of families likely to be eligible for social assistance in the year 2000, given current rates of employment and population growth, would be 166 families (versus 69 in 1987), requiring \$1.59M in expenditures (versus \$659 916 in 1987).

Changes in the territorial social assistance structure that harmonize various social programs make direct comparisons difficult, because social assistance is now counted together with other forms of government transfer as “income assistance.” The most recent data show that income assistance is used by approximately 10% of the community, and represents over 16% of Pond Inlet’s total income, about \$1.2M annually (A. Killiktee, pers. comm. 1997). Thus, it appears that the number of people using social assistance has not grown as much as [Huestis] expected, though government transfers remain a considerable source of the community’s income.

OPPORTUNITIES FOR DEVELOPMENT

Key sectors for potential growth identified in the 1987 economic planning work were manufacturing, construction, tourism, arts and crafts, and services/retail (Bloor, 1987; Huestis, 1991). These same sectors are still the ones identified by people in Pond Inlet, with the addition of government, which will grow in the new territory of Nunavut. The following section will review what was proposed in 1987, and what had come to pass in each of those sectors a decade later.

Government

Huestis noted that most of the income in Pond Inlet was “tax-dollar-derived,” which included any wealth recirculated in the community. Ten years later, 36% of all income (\$2.5M) came directly from government wages (Hamlet, GNWT, RCMP, Housing Corporation, teachers, nurses). After income assistance is added, total government sources account for over half of Pond Inlet’s 1997 income, yet this is still a significant decrease from a decade ago. There have also been changes in where that government money comes from. Although the ultimate source of the money remains Ottawa, the jobs themselves have been devolved from federal and territorial departments to regional and hamlet responsibility. Plans for the Nunavut government indicated that public jobs would continue to be a large part of communities like Pond Inlet (Nunavut Implementation Commission, 1996). It is possible that three government departments could be located in Pond Inlet, adding another 70 positions to the local workforce, though it remains to be seen whether there is an untapped pool of labour ready in the community to take advantage of those new jobs (Nunavut Implementation Commission, 1996). Even if the jobs could be filled locally, increasing the proportional dependence on government

employment may not be a long-term solution to Pond Inlet's economic resilience or self-sufficiency. Nevertheless, these jobs could provide a good basis and have spin-off benefits in other sectors.

Retail

As important as it is to bring in money from outside, for example through increasing tourism, capturing more of the tourists' dollars, or selling more commodities to the South, in fact, local wage dollars in Pond Inlet have greater buying power and economic driving power. Total wage income in Pond Inlet is \$5.7 million. Were these dollars to circulate in the local economy before going South, they could have a profound impact on the demand for other local produce and services. The value added to the local economy through the local sale of goods and services likely represents the largest potential source of new wealth after tourism.

The absence of secondary industry in Pond Inlet means that retail is the only way to generate a multiplier effect for wealth that enters the community. The income from those 70 new government jobs will flow out of the community just as quickly as it entered unless it can be captured by local businesses. Such "leakage" has been noted for many years now as a major problem for economies of northern communities, as mentioned earlier. Bloor (1987) estimated that at least \$409 per household was spent on goods freighted into Pond Inlet. While the Co-Op and Northern Store represent \$4.5M in retail sales (clearly not all from the local pool of private income), considerable spending on goods and services still goes south through the annual sea-lift, catalogue shopping, flyer-buying from stores in Yellowknife, and other imported goods and services.

Services

In 1987, few services could be obtained in Pond Inlet. When the photocopier failed, the serviceman had to fly in from Iqaluit. Electricians and plumbers had to fly in when houses were being built, although maintenance could often be done by GNWT, Hamlet, or Housing Corporation staff. The absence of services, other businesses, and transportation is seen as an obstacle to the community's economic development (J. Anaviapik, pers. comm. 1997). Even now, few of those services are yet available, but one man, trained as an electrician at Nanisivik, has recently started his own business in Pond Inlet, with the potential of servicing several communities on northern Baffin Island. All he needed to start, he said, was a fax machine and liability insurance (T. Innualuk, pers. comm. 1997). In addition, the private building contractor in town is hoping to train a plumber who would locate in town. There is obviously potential for local people to provide more services, though they may not be able to find full-time employment. Growth in this sector will depend upon people's having or gaining marketable skills and a conscious effort to hire locally.

Construction

Typically in the 1980s, house packages would arrive on the annual sea-lift, and a southern work crew of five men would build five units over 120–140 days. Even after hotel bills were paid, this system left less than 4% of the contract value in Pond Inlet as wages or profits (Huestis, 1991). Bloor (1987) recommended forming local contracting firms that could take up joint ventures. Huestis (1991) recommended a house-building company that could use local labour, scheduling work for hunting/fishing off-seasons; build furniture, fittings, windows, and other necessities; and design homes for northern needs and users. A principal benefit of this approach would have been local training in building and administrative skills, local empowerment over design and capacity, spreading work out over the year, and local employment. It would have required a committed contract from the NWT Housing Corporation for 15 or 20 houses, which could have been the foundation for bank financing and start-up. The rest might have been history.

Now, a local entrepreneur does have a construction company and the Co-op also undertakes construction contracts, allowing most of the building work to go to local people: perhaps 100 people are employed over the course of the year. However, these jobs are seasonal, concentrated mostly in the summer months, when housing construction and roadwork are possible. A full-fledged factory has not been developed, but the existence of Pond Inlet-based contractors certainly permits greater local benefits to be derived from construction and gives the potential for greater diversification in the future. As well, at the time of our study, one local contractor was exploring designs for less expensive houses, which would cost \$90 000 rather than \$180 000 to \$200 000 (S. Merkosak, pers. comm. 1997).

Tourism

One summer day in 1985, a cruise ship loomed up from the horizon, unannounced, and the town saw at least 100 identically red-coated tourists brought to shore in zodiac-load after zodiac-load. They visited the Co-op briefly, and some bought carvings. Then the local theatre group put on a quickly-drawn-together show, and the tourists were gone within a couple of hours.

Tourism seemed to be on the verge of a boom in the late 1980s, with a new \$1M hotel and active interest from wildlife-watching tours, as well as the potential for more cruise ships. It was recognized in Pond Inlet that ways needed to be found to extend the short tourist season (primarily June, for sea-ice tours to view the wildlife at the floe-edge, and July/August to a lesser degree). As well, some diversification was needed to broaden the client base and increase the numbers of local people involved. Bloor (1987) noted that the proposed national park for the area could bring in hundreds of thousands of dollars in local

wages and northern expenditures, judging by the experience of other northern parks. Huestis (1991) made three suggestions: to develop a tent camp within walking distance of town that would operate for June, July and August; to develop occasional tours focused on glaciers, fossils, sea kayaking, and other specialized interests; and to develop on-the-land bed-and-breakfast packages, which would take tourists out, offer room and board, but leave them to their own discoveries through the day.

In 1997 the tourist season was somewhat longer, from May to September, but revenues from tourism were ten times those of 1987: \$250 000 in 1996–97, from 200–250 overnight tourists (about the same number of annual tourist visitors as estimated ten years before). The Co-op thinks this income could rise to \$3–4 million; whale-watching alone could add \$300 000 in revenues (B. Umphrey, pers. comm. 1997). As well as floe-edge tours, four or five cruise ships arrive each year, and about 80 passengers per ship take excursions put on by local guides. A fly-in package tour that comes once a year also requires accommodation and guide services. These services are arranged by the Co-op, from a cadre of local guides. Two smaller enterprises have entered the tourism sector as well, offering local tours and outfitting. One new local entrepreneur expedited the activities of a British film crew in 1997, which brought about \$180 000 into the local economy (D. Reid, pers. comm. 1997); another guide/outfitter, employing about 10 guides during the season, has been operating for seven years.

In 1997, the income to guides from the estimated \$250 000 sector totalled almost \$100 000, more than the \$84 000 estimated in 1989, but only approximately equivalent in constant dollars. However, 1997 was considered an exceptional year: guide salaries usually total closer to \$50 000 annually, and this sum is divided among 20–30 guides (D. Reid, pers. comm. 1997, 1998). Though the increasing growth of tourism is expected to enhance the local economy, it appears that much of this growth is not spinning off to guides.

Of Huestis' suggestions, the on-the-land bed-and-breakfast option has not been developed. A small park/campground has been developed west of town on the Salmon River, though it does not include any personal services, but only windbreaks, picnic tables, and sanitation. However, the idea of diversification certainly seems to have been put into action. The Co-op finds that guides are not too willing to undertake new kinds of outings, such as hiking or on-land tours, nor do they like tours taking more than a couple of days. The best professional guides are usually involved in their own activities on the land during the summer tourist season. The question of guide "interest" reflects important issues in local economic development: What are people interested or motivated to undertake in the name of cash income? How do they balance job-related demands on their time with other important activities of the season? And what degree of change or innovation is possible or desirable? These questions need to

be answered if appropriate economic options are to be designed in Pond Inlet, or in any community.

Arts and Crafts

An important side effect of the tourism activity is the market for carvings and other arts and crafts. In 1987, there were many active carvers in Pond Inlet, though only a few made income greater than \$10 000 from their art—usually those who treated it as a major occupation, along with their hunting, and who could ensure they had a regular supply of soapstone (Huestis, 1991). At that time, total Co-op carving revenues were \$52 293. A decade later, carvings generated about the same amount through the Pond Inlet Co-op, which probably returns \$26–33K to local carvers. Private sales may generate another \$8000. Despite the existence of some skilled carvers in the community, and the growth of tourism, this sector has not increased in value.

In 1987, suggestions made to enhance the sector included providing workspace for carvers, diversifying to other kinds of craft production, and trying new methods of marketing, such as a mail-order business. These ideas have not been pursued, and carving continues to generate only a small part of the community's income. Furthermore, artists continue to find that there is a limited market for high-quality, high-cost art work, and a greater market for lower-priced work. This should not cause us to dismiss the probable importance of carving to some families' income: its correlation with hunting and on-the-land activities can make carving more useful than an in-town job, depending on the person's interests.

Country Foods

In 1986, food imports made up 53% of the total imports into Pond Inlet, and Bloor (1987) commented on the obvious opportunity for import substitution and inter-settlement trade. On the basis of sales patterns from the Northern store, Huestis identified a market in Pond Inlet for convenience foods; for example, frozen, prepared fried chicken sold well. As he noted, it was more likely the convenience that people were buying (at great expense) than the chicken itself. Could not the local meat-cutting plant produce caribou nuggets, frozen stew, pre-formed caribou burgers, sausages, and dried meat or fish? Indeed, the Hunters and Trappers Association (now Hunters and Trappers Organization [HTO]) did start up a country food outlet in Pond Inlet, nearly ten years ago. It buys and processes meat and fish from local hunters, producing caribou pepperoni, sausage, steaks and jerky, dried and frozen char, and maqtaq. Turbot, a growing part of the business, is shipped south for processing.

The store/freezer complex and HTO employ three to four persons altogether, contributing \$40 000 to the local wage tally. The store operates on a nonprofit basis, being treated as a means of adding cash income to hunters' land-

based incomes; it turns over \$10–15 000 in revenues from country foods (N. Erkloo, pers. comm. 1997). If the turbot fishery grows as hoped, it could help to make the operation self-sufficient. Marketing needs more skilled attention, which is true for most small businesses.

CONSTRAINTS ON DEVELOPMENT

Regardless of local people's interests in undertaking various forms of development, constraints may be imposed by outside agencies. These constraints include availability of financial and business-support services and infrastructure, utility cost-pricing, freight rates, and access to opportunities.

Banking

Ten years after Huestis identified the lack of banking services in Pond Inlet as a significant impediment to operating a business there, the nearest bank branch was still in Iqaluit. The two retail operations in the community, the Co-op and the Northern, do provide basic cheque-cashing services, and customers can put credit on account at the store. Savings habits in the community have not changed in the past decade, however, as money is simply viewed as a medium of exchange rather than a means to accumulate capital. Nearly all of the income in the community is spent as soon as it is received (M. Bungaard, pers. comm. 1997). It is unclear whether the establishment of a bank in Pond Inlet would have much effect on personal savings, or whether it would simply be a cheque-cashing service.

On the other hand, small businesses and entrepreneurs require financial services beyond what is currently available. Huestis (1991) pointed out that privacy concerns might make small retailers reluctant to keep business accounts with the Co-op or Northern who, in effect, are their competitors. The speed of transactions is also a problem: payments must be sent by mail to the bank in Iqaluit, and cash must be physically flown in and out by the Co-op and the Northern. One suggestion in 1987 was for the Post Office to offer residents some form of basic passbook savings accounts where money could be deposited and transferred. It is hardly surprising, at a time when Canada Post is privatizing nearly all of its postal outlets, that it would not embrace the idea of adding responsibilities such as financial services. The Toonoonik Sahoonek Co-op has tried in the past to establish a credit union in Pond Inlet, but these efforts have been unsuccessful. (J. Anaviapik, pers. comm. 1997; D. Blatter, pers. comm. 1997).

With the advent of consumer electronic banking and the future establishment of a satellite-based electronic network in Nunavut, a physical bank in Pond Inlet may be unnecessary. Bank customers will be able to make transactions by phone, or via the Internet. The Northern and Co-Op

have already installed Interac direct payment systems in their stores, and more and more employers are using direct deposit as a means of paying employees. But will the replacement of cash by electronic transactions, favoured in the South, be acceptable in Pond Inlet? If people are reluctant to keep their money on account at the Co-Op, how likely will they be to keep a balance in a bank account to use with their debit card? These electronic banking services may benefit small businesses but have little impact on consumers.

Work Space and Infrastructure

Pond Inlet has a serious shortage of available housing, with consequent overcrowding in the community. The housing shortage poses a problem not only for living conditions, but for creating employment. Every available space must be used as living area, leaving no space for working at home or in buildings dedicated to that purpose. Complicating this situation is the fact that most residents live in public housing. As a general rule, public housing may not be used for home-based businesses. Yet, given the lack of existing or affordable space elsewhere in the community, the home is the only practical place from which to operate a small business. The local Housing Association is concerned that even small-scale arts and crafts production can result in increased utility costs, undue wear and tear on the unit, and an unfair advantage over private competitors whose accommodations are not subsidized. This competition concern may be vital in Yellowknife; however, in Pond Inlet, where so few people live in private homes, it seems to be an added brake on development. Like incubator malls, which provide a place for new businesses to start, home bases could provide an important start-up foundation for new enterprises, even if they were permitted only for a limited time, after which the enterprises could afford to move out to other premises, if the latter existed. Alternatively, Huestis (1991) suggested "portable" workspaces, which could be built by a local company, moved around the community as needed, and attached (and wired into the utilities of) entrepreneurs' existing homes. He estimated the cost of such a unit at the time at \$10 000.

The Pond Inlet Housing Association has recognized this need and has given permission to about ten public housing residents to operate small businesses from home, mostly in sewing and handicrafts (H. Sudlovenick, pers. comm. 1997). Still other entrepreneurs fall into the grey area between home-based business and the traditional economy, and the prohibition is not strictly enforced in these cases.

An incubator mall has also been constructed; it is owned and mostly occupied by the Toonoonik Sahoonek Co-Op. This is one 1987 recommendation that has come into being, but it has not solved the problem completely. On the positive side, there are now two independent retail operations (a video rental store and a sportswear shop) run by

local entrepreneurs. The idea, however, was for these businesses to use the mall as a stepping-stone, moving out to their own spaces once they became profitable. At present, however, there is no place to which they can move. Another unintended outcome is that one of the other tenants in Co-op Mall is, ironically, the Housing Association. The incubator mall was certainly not intended to house government offices; the situation arose because no other space was available in town, and no other tenants were found to occupy the commercial space.

Utility Rates

In 1997, the Northwest Territories Power Corporation (NTPC) announced changes to its rate structure that will make each community responsible for its own operational costs. While private and public residential rates should remain the same, the biggest impact is expected to be on small businesses in smaller centres (Bourgeois, 1997b). The existing arrangement spreads costs over the entire NTPC system so that bigger centres subsidize the smaller communities. While residential users will still be subsidized under the new rate structure, business users will have to pay the real value of their utility costs. Not only will communities be responsible for their own operating costs, but they will also have to budget for upgrades and capital costs. Luckily for Pond Inlet, their power station is only five years old. Other communities, which face the replacement of a \$600 000 generating station, might soon require significantly higher rates to fund the added cost.

Freight Rates

Pond Inlet's remoteness obviously imposes high transportation costs, which make it a very expensive place to do business. Every part of Pond Inlet's economy is affected by the difficulties of bringing supplies and products into the community. These high costs are transferred to the consumer, resulting in one of the highest costs of living in Canada. The cheapest way to ship goods to Pond Inlet is by the annual sea-lift, which departs from Montreal in mid-summer, reaching Pond Inlet and other eastern Arctic communities in August. The Northern and Co-Op stores bring in as much of their goods as they can by sea-lift and warehouse them over the following year. Obviously such logistics require a tight control of inventory. At a time when the buzzword in economies of the South is "just-in-time distribution," which uses technology and expertise to reduce warehousing to a bare minimum, the situation in the North requires costly warehousing for up to a year.

Of course, only nonperishable items can be shipped by sea. The Northern store estimates that 50% of its stock comes in by sea-lift, while the rest is flown in. Airfreight, at about \$7/kg from Montreal, is significantly more expensive than the sea-lift, but necessary for perishable items, items needed to fill a shortage, and items that cannot be warehoused. The increased use of "best-before" dates in

the food industry exacerbates the problem of maintaining affordable grocery prices in Pond Inlet. Even canned pop is now dated and must be flown in regularly, whereas ten years ago, it came by multiple pallet-loads on the sea-lift. A can of Pepsi at the Co-op or Northern can cost \$2.75.

Because any imported raw materials must be shipped great distances and stored somewhere (add to this the cost of housing, commercial buildings, utilities, and other infrastructure), it is actually much cheaper to import finished goods than to produce them locally. But every product or service that is purchased in the South represents leakage out of Pond Inlet's economy. To reduce that leakage, Pond Inlet must create more value-added production or services locally to replace the imports. Addressing shipping costs is an integral part of making Pond Inlet's economy sustainable, along with increasing the opportunities for import substitution. The challenge will be to find products and services that can be generated more, or equally, efficiently in Pond Inlet, without much reliance on southern parts and products.

The Difficulty of Finding Niches For Small Business

This examination has revealed the limited opportunities for new economic activities in Pond Inlet. Indeed, many of the new opportunities that have been identified have been taken up by the Co-op, which already has advantages in infrastructure, capital, management experience, and an employee base. New businesses, on the other hand, have to cope with high start-up costs, limited experience, and other barriers to participation: most people are unwilling to take such a high risk. The reality is that it is far easier and more likely for existing strong actors to take advantage of any new niche than for an independent individual or group to seize that opportunity.

Two examples, one local and one regional, illustrate how new opportunities can be controlled by larger actors. The Co-op in Pond Inlet, with activities in almost every sector of the economy, may actually hamper the development of new small enterprises. Many niches in the economy are already filled by the Co-op, and any new business opportunities that arise in the community are also very likely to be filled by the Co-op. Furthermore, as manager of the incubator mall (the only available retail space in the community), the Co-op is both competitor and landlord to would-be entrepreneurs. In the tourism sector, which seems to offer much of the development potential, the Co-op already offers most of the key services, namely the hotel, which is the locus of all tourist visits, and the outfitters. If its plans to expand the airport are successful, the Co-op will truly dominate the tourism sector in Pond Inlet.

In another key sector, construction, Pond Inlet's local businesses are at risk because of an agreement between the parties to the Nunavut Agreement that allows the Nunavut Construction Corporation to "build, own and lease all of the Nunavut government's new office and residential buildings" (Bourgeois, 1997a). This agreement creates an

unequal situation in the construction business in Nunavut, largely excluding smaller local builders from the more lucrative long-term contracts. While the local constructors will likely still be used as subcontractors, they will not have the stability of the long-term government contracts, and the main contract is where most of the profit is made (S. Merkosak, pers. comm. 1997). There is some logic in the argument that this arrangement was needed to protect Nunavut businesses from being outbid by companies from the South, but the plan may actually limit local development opportunities. Pond Inlet businesses took the lead in challenging this agreement in 1997, launching legal action under Article 24 of the Nunavut Agreement, which was designed to protect Inuit-owned businesses (Bourgeois, 1997a).

DISCUSSION

Much of the change in the Pond Inlet economy is due to the actions of local business people, a small group within the community's population. Like any community, Pond Inlet is likely to have only a few entrepreneurs, though it could be argued that the nature of the traditional renewable resource-based economy has laid the foundation for many Inuit to be entrepreneurial. Pond Inlet's economic strengths lie in construction, retail, and possibly tourism, but government-funded jobs still constitute the largest portion of the income pie, and other government transfers provide a substantial slice as well. The number of jobs in the local economy, and the number held by local residents, have both increased significantly, even though they have not kept up with the growth in population. A larger number of Pond Inlet residents have taken greater part in the wage economy, but others still remain outside it, whether by choice or by circumstances such as lack of work, lack of interest, or lack of skills. The real problem will come as Pond Inlet's exploding youth population (nearly half the population is under 15) begins to look for employment in the coming years. Labour policies in the new Nunavut government must make serious efforts to address youth employment.

The experience of Pond Inlet does illustrate that local entrepreneurs and businesses can and do take advantage of opportunities, but it helps to have skills, space, and support. The lack of business space has a clearly constricting influence, and the space problem begs for more innovative responses in terms of both policy and infrastructure development. Bloor (1987) noted that for economic development to take place, new enterprises must add something new to the local economy, not compete with what is already there. Import substitution is critical to this, as is identification of goods and services not already provided by the Co-op or the Northern stores. Further, new enterprises and opportunities must be fitted to the desires and interests of local people, as reflected in the example of the guides' lack of interest in new forms of tours. As Bloor

(1987) noted, the tendency of development planning has been to implant the material aspects of the modern economy into the remote communities of the Arctic, guided by the belief that what works in the South will work in the North. Such an assumption demonstrates a lopsided understanding of how development takes place.

The new Nunavut Government will be obligated to assist development in its communities. The basis of that assistance should be a clear understanding of what the people of Nunavut want. Should work opportunities and employment models be for full-time or part-time work? Do local people want to be self-employed, wage-employed, or traditional producers? Should new businesses be traditionally based or modern? Should they be production-oriented or service-oriented? Once preferences and opportunities are defined, communities and their advisors must act upon them. Beyond that, depending on the policy Nunavut adopts towards employment and income support, there may be a need to supplement peoples' incomes, to inculcate an attitude of self-sufficiency, or to reduce consumption of purchased and imported goods. The most obvious option is to ensure that Pond Inlet residents are trained and ready to take up the new government positions planned for the community.

If Pond Inlet and other Arctic communities are to take action to influence their own economies, the Nunavut government can help by recognizing and fostering appropriate attitudes and models of development, enhancing skills (not only for bureaucratic work, but for business and practical work, too), helping to broaden the economic base, and supporting local entrepreneurs. Local enterprises will be valuable even though some may not break even or make large profits. They will not only enhance income, but create opportunities, giving an important boost to confidence and creativity, and they will certainly be more positive than social assistance.

The experience from Pond Inlet clearly shows that the need for public-type spending will continue in the new Nunavut. Housing and infrastructure are desperately behind demand and cannot be supported by local earnings and savings. Here, the new government can improve on the example of the old regime by ensuring that the employment and income generated by providing such services go to Inuit communities. In the words of one Pond Inlet entrepreneur, "our society, education and economy are all related. The [Nunavut government] has to create local markets and wealth, or Nunavut won't be sustainable or self-sufficient" (S. Merkosak, pers. comm. 1997). The experience with the Nunavut Construction Corporation shows that the Nunavut government could help local entrepreneurs and community development more by making contract opportunities available locally and developing more innovative solutions to housing and infrastructure needs. One can argue that simply employing Inuit and returning income to them indirectly, through shares or services, is little different from the approach taken by governments until now. Although this practice serves the

needs of government, it does not help local economies to become self-sufficient.

CONCLUSION

While there have been noticeable changes in the structure of Pond Inlet's economy and growth in some areas, economic opportunities for the growing population are still limited. Moreover, most of the employment in the community is concentrated with a handful of employers. Other than the Toonoonik Sahoonik Co-Op, Pond Inlet's commercial juggernaut, most of the wage employment is supported by government in some way. Many of the obstacles to development that were identified ten years ago persist. Despite the interest in local initiatives, ongoing constraints such as limited workspace, high operating costs, leakage of money to southern goods and services, and lack of local input to development policy or decision making continue to circumscribe local development. Removal of these constraints will require innovative responses from the new Nunavut government as well as the people of Pond Inlet.

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